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October 25, 2002

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: **Ex Parte *in* CC Docket Nos: 00-256, 96-45. 98-77. and 98-166**

Dear Ms. Dortch:

On Thursday, October 24, 2002, David Bartlett and Michael Rhoda of ALLTEL, Inc., Michael Skrivan of Madison River, Inc., Robert Debroux of TDS, Inc., and I (collectively referred to as the "Company Representatives" met with the following staff members of the Wireline Competition Bureau: Jane Jackson, Jeff Dygert, Doug Slotten, and Paul Moon.

The subject of our discussion was the consideration of the ***Further** Notice of Proposed Rulemaking* in the above-referenced proceedings. Specifically, the topics discussed included the policy aspects associated with the development and consideration of an alternative regulatory structure contemplated by the *Further Notice*. In this regard the Company Representatives discussed the possibility of utilizing the Commission's Part 61.39 rules as a basis of a proposal that would maintain optionality for all non price-cap carriers while providing an otherwise unavailable alternative for mid-size incumbent local exchange carriers. The outline of the entire discussion is attached hereto.

In addition, the Company Representatives discussed the "all or nothing" rules as set forth in §§ 61.41 and 69.3(e)(9) of the Commission's Rules and Regulations. The Company representatives explained how the "all or nothing" rules may discourage investment in telecommunications services in rural America, and requested that the Commission expeditiously repeal the rules.

Please direct any questions regarding this *to* me at (202)296-9055

Sincerely,

Stephen G Kraskin

Stephen G. Kraskin

FCC Meeting on Midsize Incentive Regulation Options
October 24, 2002
ALLTEL, Madison River Communications and TDS Telecom

Introduction

- Midsize Companies have no viable incentive option.
- Midsize Companies have study areas that could benefit from incentive regulation.
- Incentive regulation is in the public interest, benefiting LECs and their customers.
- There is an opportunity to build on existing incentive regulation to extend incentive regulation to midsize carriers.

Part 61.39 Plan for Midsize Carriers

Current rules —

- 61.39 is a lag-based incentive plan for Subset III study areas with less than 50,000 access lines, which uses historical costs and demand to establish rates.
- 61.39 regulation can be elected independently for Traffic Sensitive and/or Common Line rates.

Midsize Carrier Option

- Extend 61.39 to all non-price cap rural carriers.
- Avoid changes that would impact use of plan by small companies.
- Retain current 61.39 optionality.

Traffic Sensitive Portion of the Plan

- Rates set per current rules

Common Line Portion

- Current rules do not work due to MAG Common Line restructuring, because 61.39 requires residual revenue requirement to be recovered through CCL rates.
- Proposed rule revision would allow residual Common Line revenue requirement to be recovered through ICLS.
- per-line ICLS/LTS settlement would be established based on historical costs and demand.

Other Issues

- HCL USF and LSS could continue to be paid under *existing* rules.
- Companies would he free to elect Traffic Sensitive, Common Line, or both, by study area.
- Resetting rates every two years provides protectinn to LECs and benefits to IXCs
- Plan is workable in the NECA Pooling environment.